

Perceiving to Become a "Strategic Partner" On Asian Regional Integration: Being/Not Being a Member of Eurasian Union

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Abstract— Regionalism is the most common framework under which economic activities, between states, happen in the 21st century. The European Union is the oldest and (so far most) successful case of regional integration; that success however came with some hurdles. The victory of SYRZIA in the last parliamentary elections in Greece showed how even a populist Eurosceptic government is unable to curb the dynamics of integration in Europe, currently under Franco-German leadership.

In this regard, the Eurasian Union (proposed by Kazakhstan and Russia) wants to play a similarly role emphasizing Asian Economic power. The integration of Asian states into a regional common space will be useful not only to Asian states but also to its neighbors. It is in this perspective, which the current articles wants to emphasize the Theory of Economic Integration from its background to its ideological dimension. Furthermore, the paper will explore and explain why the Eurasian Economic Union might be the most ambitious regional integration project in the upcoming decade.

Keywords—Economic Integration Theory, Eurasian Economic Union, International Economic Integration, Regional Integration, Regionalism.

I. INTRODUCTION

REGIONAL integration is the most common framework between states in 21st century. Region pieces have proliferated after the end of World War II and are now driving forces in world politics [1]. Contemporary regionalism symbolizes a level of governance in the world and indicates a degree of mutual interdependence among states. In this context, with the collapse of the Union of Soviet Socialist Republics (USSR), Eurasian Integration is aimed to create a new framework of cooperation among the former Soviet Union countries. There have been various attempts over the past two decades by the Commonwealth of Independent States (CIS) to promote deeper economic integration. Unfortunately, these initiatives included clauses allowing member states to choose the depth of integration. This can be explained by the fact that for many countries the motive behind the establishment of the Commonwealth of Independent States was not in fact a search for a format for (re)integration, but was rather a means to

ensure conditions for the former members of the USSR “to part” in an orderly manner [2]. The Eurasian Economic Union (EEU) is designed to provide for free movement of goods, services, capital and labor. With this regard, EEU pursues coordinated, harmonized and single policy in the sectors determined by the Treaty and international agreements within the Union. The Member-States of the Eurasian Economic Union are the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation.

Unlike free trade agreements that had previously existed in the CIS, the CU of Russia, Belarus and Kazakhstan launched on 1 January 2010, is a qualitatively different, deeper stage of integration, as it introduced not only a free trade area, but also a common import duties structure and common external tariff, as well as launched a harmonization of product quality, sanitary and other standards. Along with the process of integration, the institutional architecture of the Eurasian Economic Union started to emerge. Its most important link is a supranational Eurasian Economic Commission (EEC). This commission has the mandate of member states in such areas as trade policy, customs, external tariffs and non-tariff barriers, trade protection instruments, technical regulations, etc. It is planned that the EEC mandate in the long term may expand to the areas of energy policy, public procurement, and sale of services, competition and investment. The Union is being created to comprehensively upgrade, raise the competitiveness of and cooperation between the national economies, and to promote stable development in order to raise the living standards of the nations of the Member-States.

The following are the objectives of this study:

- to evaluate the place of the Eurasian Union in Russia’s domestic and foreign policy whether this is another attempt to reinforce integration within the CIS space or a project of new quality of supranational integration.
- To make a critics of the institutional architecture of the Eurasian Economic Union and the most important mandates of supranational institutions; to suggest an answer to the question of what the final vision of this economic integration project is;

What are the possibilities and limits of Eurasian Union integration?

- to perceive the relationship between the Eurasian

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Economic Union and European Union external economic policy and its potential effect on the European Union's Eastern Partnership initiative;

- to scrutinize political and economic risks of the negotiations between the European Union and the Eurasian Economic Union as an integrated regional structure;
- to evaluate the pros and cons, strengths and weaknesses of the project and analyze potential winners and losers of the Eurasian Economic Union;
- to understand development opportunities of the Eurasian Economic Union, i.e. evaluate costs and benefits of the membership of the other Eurasian neighbors, such as Turkey, India, China.
- to observe whether the Eurasian Economic Union can become an instrument for Russia to control the relationship between the EU, as an alternative center of economic integration, and the countries of the Eastern Neighborhood.

II. THEORITICAL FRAMEWORK OF ECONOMIC INTEGRATION

A. Theoretical Aspects of International Integration

Economic Integration has a common aim for countries. Integration guarantees access to markets of partner countries. It secures and cement domestic market-orientated reforms. Due to Integration policy, countries are able to adapt trade barriers according to preferences of the involved countries. Such an integration creates sustainability. Thus, it creates a trust among the participating countries. Countries are intended to integrate each other, because a very large group of countries may have many conflicting objectives and interests. With unified economic and politic gains, their decision mechanism can be more powerful on international arena. As it is mentioned above, integration agreements can be employed as a bargaining tool with third countries. So it can be said that integration potentially weakens and shrinks the power of vested interests and monopolies.

Moreover, terms-of-trade effects and gains to exporters provide benefits from preferential trading agreements that are not available from unilateral trade liberalization policies. In the long run, the benefits of integration may be felt by all members. Indeed, the long-term dynamic benefits are greater than the possible short-run static costs. International economic integration is a desirable strategy, at least for small and medium-sized countries.

B. The Main Frames of Integration

Economic Integration can be classified into seven general types at least among two countries. International economic integration intends to remove, at least partly, these and other distortions to trade, investment, competition, and, possibly, factor mobility. These transition starts with preferential tariff agreements. A partial customs union among members can be defined as 2nd phase of Integration. Free trade area is the third phase of Economic Integration. Custom Union, Common

Market, Economic Union and a Total Economic Union are rest of phases of Integration progress. Types of Economic Integration can be classified as follows:

TABLE I
THEORETICAL TYPES OF INTERNATIONAL ECONOMIC INTEGRATION

Policy Action	Free Trade Area	Customs Union	Common Market	Economic Union	Total Economic Union
Removal of Tariffs and Quotas	Yes	Yes	Yes	Yes	Yes
Common External Tariff	No	Yes	Yes	Yes	Yes
Factor Mobility	No	No	Yes	Yes	Yes
Harmonization of Economic Policies	No	No	No	Yes	Yes
Total Unification of economic policies	No	No	No	No	Yes

A preferential tariff agreement among countries supposes that the tariffs on trade among the signatory countries are lower in relation to tariffs charged on trade with third countries. A partial customs union is occurred when the participating countries retain their initial tariffs on their mutual trade and introduce a common external tariff on trade with third countries. A free trade area can be defined as an agreement among countries about the elimination of all tariff and quantitative restrictions on mutual trade. Every country in this area retains its own tariff and other regulation of trade with third countries. The bases of this agreement are the rules of origin. These rules prevent trade deflection, which is the import of a good from third countries into the area by country A (that has a relatively lower external tariff than the partner country B) in order to re-export the good to country B. None the less, production deflection is possible if the production of goods that contain imported inputs is shifted to countries that have lower tariffs if the difference in tariffs offsets the difference in production and trade costs.

In a customs union, participating countries not only remove tariff and quantitative restrictions on their intra-group trade, but also introduce a common external tariff on trade with third countries. The participating countries take part in international negotiations about trade and tariffs as a single entity. In a common market, apart from a customs union, there is free mobility of factors of production. Common regulations (restrictions) on the movement of factors with third countries are introduced. An economic union among countries assumes not only a common market, but also the harmonization of fiscal, monetary, industrial, regional, transport and other economic policies. A total economic union among countries assumes union with a single economic policy and a supranational government (of this confederation) with great economic authority. There are no administrative barriers to the movements of goods, services and factors, hence prices are

equalized net of transport cost [3].

III. FOUNDATION OF EURASIAN ECONOMIC UNION THROUGH THE HISTORICAL PERSPECTIVE

The President of Kazakhstan Nursultan Nazarbayev declared the idea of the Eurasian Union of States for the first time at Lomonosov Moscow State University, during his first official visit to Russia on March 29, 1994.

In June 1994, a detailed integration project was presented to the Heads of the States and then is put in appearance in the press. For the first time, the integration alliance was described "the Eurasian Union" in an official document

In 1995, the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation signed the Treaty on the Customs Union, aimed to minimize restrictions any barriers hindering free economic cooperation between the Parties' economic agents, ensure free trade and fair competition, and eventually guarantee sustainable economic development of the Parties.

The Treaty signed by the three States in 1995 established the integration nucleus that now drives the integration in the Eurasian region.

The Presidents of the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic and the Russian Federation stated by signing the Treaty on Deepening Economic and Humanitarian Integration on March 29, 1996 in Moscow. The Republic of Tajikistan joined the Treaty in 1998.

Created as the ultimate form of equal and mutually beneficial cooperation, the Eurasian Union is in fact a model of civilized interaction between independent states in the former Soviet space, which maintain their sovereignty, territorial integrity and inviolability of borders. These principles triggers materializing gradually.

The presidents of the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan signed the Treaty on the Customs Union and Single Economic Space on February 26, 1999 in Moscow

The Treaty on the establishment of the Eurasian Economic Community was signed on 10 October 2000, in Kazakhstan's capital Astana by Presidents Alexander Lukashenko of Belarus, Nursultan Nazarbayev of Kazakhstan, Askar Akayev of Kyrgyzstan, Vladimir Putin of Russia, and Emomali Rakhmonov of Tajikistan. Freedom of movement without visa requirements has been implemented among the members. A Common Economic Space for the community was launched on 1 January 2010.

The Eurasian Economic Commission is the regulatory agency for the Eurasian Economic Community Common Economic Space and the Eurasian Customs Union.

On 10 October 2014 an agreement on the termination of the Eurasian Economic Community was signed in Minsk after a session of the Interstate Council of the EAEC. The Eurasian Economic Community was terminated from 1 January 2015 in connection with the launch of the Eurasian Economic Union.

While the Eurasian Economic Union effectively replaces the community, membership negotiations with Tajikistan are still ongoing. All other EAEC members have joined the new union.

Eurasian Economic Commission (EEC) is a permanent regulatory body of the Eurasian Economic Union. It started functioning on February 2, 2012. The main objective of the Eurasian Economic Commission is to ensure functioning and development of the EAEU, to prepare proposals for its further integration.

At the moment there are four countries represented within the EEC: the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation. The EEC holds the status of supranational regulatory body and the keystone of its activity are the interests of the Eurasian community as an integrative initiative where no national interests prevail over those of the community. Decisions of the Commission are binding on the territory of the EAEU member states.

The EAEU establishment is based on the understanding that four countries together will be able to both reduce the negative effects of global uncertainty and to actively promote their interests in foreign markets. The Eurasian Economic Union is open for other states which share the goals of the unifying and are ready to assume the required obligations.

The most important element of the Commission's work is that all the decisions are taken on collective basis. The Board of the Eurasian Economic Commission consists of 12 members (each member state is represented by 3 Board Members (Ministers)), and one of them is the Chairman of the Board of the Commission.

The Chairman and Members of the Board are appointed by the Supreme Eurasian Economic Council at the level of the member states heads for a four year renewable term. Decisions are taken by voting.

The activity of the EEC comprises separate functions, each supervised by a Board Member (Minister). Each function encompasses a number of industries and areas of economic activity. Members of the Board and EEC Departments coordinate with the relevant government bodies within their respective fields of expertise.

At present time the EEC comprises of 23 departments. Moreover, 18 consultative committees were established for the Departments to prepare proposals for the EEC Board and to negotiate with national bodies of member states. The Board Members (Ministers) are the chairmen of the committees in accordance with their professional profile.

In its activity the Board always maintains the inclusive dialogue with its key partners. The first level is the interstate dialogue which entails development of effective cooperation with national bodies during the decision-making process. The second level is a direct collaboration with business community.

The key professional principles of the EEC activity are avoidance of politicization, balance of interests, effectiveness and transparency.

IV. EURASIAN UNION AND ITS EXPANSION POLICY

Eurasian Union has an important goal to improve its relations as an economic block with its continents economic giants. In this regard, Eurasian Union is planned to expand via “strategic partnerships”. In its expansion policy, it can mention that Turkish-Russian cooperation is improved after Ukraine crisis. Energy Transit hub.

On the one hand, On December 1, 2014, President Vladimir Putin and President Tayyip Erdogan met in Ankara to discuss bilateral diplomatic relations. Although the focus of the negotiations was on energetic concerns there were some discussions regarding a perceived rapprochement between these two (truly) Eurasian countries. The rapprochement between Ankara and Moscow needs to be seen with caution due to the contentious position of these two potential future allies.

Historically speaking both countries have claims has natural leaders of the Eurasian space, and in the Imperial Era both Empires clashed several times. Contemporarily, both countries only began the diplomatic rapprochement due to the perceived difficulty to deal with a third player: the European Union.

The joint communication here proposed intends to mention that the Russo-Turkish current relations within the Eurasian paradigm while looking to diplomacy, politics, energy, security and economic concerns are improving recently.

On the other hand, China proposed to establish free trade zone with Eurasian Economic Union. China proposed to the Eurasian Economic Union to think about creation of a free trade zone in the future, according to Russian Ambassador to China Andrei Denisov. China offered to establish a free trade zone with the Eurasian Economic Union in the future, Russian Ambassador to China Andrei Denisov told RIA Novosti.

“Chinese partners were very careful in regard to this integration in the beginning. They simply needed to make sure that it works. Now they show interest in increasing cooperation not only with the separate countries – Kazakhstan, Belarus, Russia, Armenia and Kyrgyzstan in the future, but with the union as such. And as far as I know they even proposed to us, the members of the union, to think about creation of a free trade zone in the future,” Denisov said.

Denisov added that both sides are already discussing mechanisms to cooperate in the future.

18th of March 2015, the first round of talks between the Eurasian Economic Commission and the Peoples' Republic of China on signing the Agreement on information exchange about the goods and transport means of international transportation moved across the customs borders of the Eurasian Economic Union (EAEU) and China [4].

Within the years from 2012 to 2014 a number of unofficial work meeting at the level of experts preceded the negotiations.

The delegation of the Union in the first round of talks included the representatives of the interested governmental bodies of the EAEU member states. From the Peoples Republic of China the negotiations were attended by the representatives of the Main Customs Administration of the

PRC and the PRC embassy in the Russian Federation.

V. CONCLUSION

Eurasian Union has an important potential to reunite Post Soviet Space by using its mainstream Eurasian economic integration policy. In this regard, the Eurasian Union (proposed by Kazakhstan and Russia) wants to play a role emphasizing Asian Economic power. In this case, It is strongly significant to observe such an important integration to benefit mutually by using economic and politic power of the Eurasian continent.

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